



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Hartford, Connecticut

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

During the week of August 23–27, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Hartford, Connecticut. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing and financial and administrative controls. During the review, we also provided fraud and integrity awareness briefings to 53 employees.

Results of Review

The CAP review covered nine areas. The regional office complied with selected standards in the following five areas:

- Compensation and Pension (C&P) Claims Processing of One-Time Payments
- Director’s Review of One-Time Payments over \$25,000
- Fiduciary and Field Examination (F&FE) Administration
- C&P Incarcerated Veterans Adjustments
- Government Purchase Card Program

Based on our review of the nine areas, the Director’s review of one-time payments over \$25,000 was identified as an organizational strength.

We identified four areas which needed additional management attention. To improve operations, the following recommendations were made:

- Promptly reduce C&P benefits for veterans hospitalized at Government expense.
- Routinely test automated information systems to verify that “strong” passwords are required to gain access.
- Physically secure sensitive¹ claims folders (C-files).
- Improve oversight of Benefits Delivery Network (BDN) security.

This report was prepared under the direction of Mr. James R. Hudson, Director, and Mrs. Yolonda Johnson, CAP Review Coordinator, Atlanta Audit Operations Division.

¹ Sensitive claims folders are those belonging to employees, work-study participants, employee-relatives, Veteran Service Officers, and high profile or infamous veterans.

Area and Regional Office Directors' Comments

The Area and Regional Office Directors' agreed with the findings and recommendations and provided acceptable implementation plans. (See pages 8–14 for the full text of the Directors' comments.) We will follow up on planned actions until they are completed.

(original signed by:)

RICHARD J. GRIFFIN
Inspector General

Introduction

Facility Profile

Organization. The regional office provides C&P and Vocational Rehabilitation & Employment (VR&E) services to eligible veterans, dependents, and beneficiaries residing in Connecticut. The regional office is part of the Veterans Benefits Administration (VBA) Eastern Area and serves a veteran population of about 280,000. The regional office also provides claims assistance services to veterans at the VA Connecticut Healthcare System (the healthcare system) and the Newington Ambulatory Care Clinic. In addition, the C&P Pre-Discharge Program claims processing team provides services to the Groton Naval Submarine Base and the U. S. Coast Guard Academy.

Programs. Loan processing, construction and valuation, and loan servicing and claims functions are performed at the Regional Loan Center (RLC) in Manchester, New Hampshire. Although the RLC administers the VA Guaranteed Loan Program for Connecticut, the regional office is responsible for providing VA Loan Guaranty Program Certificates of Eligibility services to Connecticut veterans. VA Regional Office Buffalo, New York provides education benefits for veterans residing in Connecticut.

Resources. In fiscal year (FY) 2003, regional office operating expenditures were about \$5.8 million. As of June 2004, the regional office had 70.8 full-time employees.

Workload. In FY 2003, C&P benefits of \$153 million were paid to about 23,000 beneficiaries, and VR&E benefits of \$22.3 million were paid to about 5,650 beneficiaries. As of June 30, 2004, the F&FE Unit monitored 929 active fiduciary cases with a total estate value of about \$33.7 million.

Objectives and Scope of the CAP Review

Objectives. CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality VA health care and benefits delivery services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, quality management, benefits delivery, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

Scope. The review included selected benefits claims processing, and financial and administrative activities to evaluate the effectiveness of benefits delivery and general

management controls. Benefits delivery is the process of ensuring that veterans' claims for benefits and requests for services are processed promptly and accurately. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organization goals are met. The review covered facility operations for FY 2003 and FY 2004 through August 27, 2004, and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the CAP review, we inspected work areas; interviewed managers and employees; and reviewed beneficiary files and financial and administrative records. The review covered selected aspects of the following areas and activities:

Automated Information Systems Security	C&P Locked Files
BDN Security	Director's Review of One-Time Payments
C&P Claims Processing of One-Time Payments	over \$25,000
C&P Hospital Adjustments	F&FE Administration
C&P Incarcerated Veteran Adjustments	Government Purchase Card Program

An activity that was particularly effective or otherwise noteworthy is recognized in the Organizational Strength section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 3–7). For these activities we make recommendations. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For those activities not discussed in the Organizational Strength or Opportunities for Improvement sections, there were no reportable conditions.

During the review, we also provided fraud and integrity awareness briefings to 53 regional office employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case specific examples illustrating benefits fraud, false claims, procurement fraud, and bribery.

Results of Review

Organizational Strength

The Director's C&P One-Time Payment Reviews Were Effective. The Regional Office Director or his designee is required to review all C&P one-time payments of \$25,000 or more to ensure that these payments are appropriate and that each award has a third-signature approval. During the period April 1, 2004, through June 30, 2004, the Director or his designee and VSC management reviewed each of the 23 one-time payments of \$25,000 or more. The Director had implemented a process that required the employee performing the third-party review and signature approval to immediately forward the award to him or his designee for review and signature before the payment was released. Regional office management had ensured that a third-signature was obtained for each of the one-time payments, the payments issued were appropriate, and no evidence of fraud was identified.

Opportunities for Improvement

Compensation and Pension Hospital Adjustments – Benefits to Hospitalized Veterans Should Be Promptly Reduced

Condition Needing Improvement. Veteran Service Center (VSC) management needed to improve the processing of hospital adjustments. In certain situations, the law requires the reduction of C&P payments for veterans hospitalized at Government expense for extended periods. As of June 2004, there were 55 veterans who had been continuously hospitalized for 90 days or more within the healthcare system. Our review found that benefits had not been properly adjusted for four veterans, resulting in overpayments of \$424,613.

VSC staff did not take proper and timely action when the monthly notifications of hospitalizations were received from the healthcare system, resulting in the four overpayments. These overpayments were also not identified during Systematic Analysis of Operations² (SAOs) reviews conducted in December 2003 and May 2004 because they only sampled veterans on the healthcare system listing. In one case, benefits should have been reduced in November 1996, resulting in an overpayment of more than \$161,000, and in another case, benefits should have been reduced in October 2000, resulting in an overpayment of more than \$116,000.

In June 2004, in preparation for the CAP review, the VSC Manager performed a 100 percent review of the healthcare system listing and stated in her report that this area was a

² VBA requires a systematic analysis of operations of all critical program areas to identify existing or potential problems and recommend appropriate corrective actions.

material weakness. The assessment identified the same four overpayments that we had identified. As of August 2004, VSC management was in the process of adjusting benefit payments for these four veterans and setting up accounts receivable for collection.

Recommended Improvement Action 1. The Area Director should require that the Regional Office Director ensures that:

- a. Benefits are adjusted for the veterans identified by our review and collection actions initiated where necessary.
- b. The SAO for hospitalized veterans is revised to require a 100 percent review of the healthcare system listing of hospitalized veterans.
- c. Refresher training is provided to VSC staff on hospital adjustment procedures.

The Area and Regional Office Directors agreed with the findings and recommendations and provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Automated Information Systems Security – Access to the Local Area Network System Needed Monitoring

Condition Needing Improvement. The Local Area Network (LAN) system could be accessed without using a required “strong” password. Although Information Resources Management (IRM) had installed the required Service Pack in May 2000 that should have forced a “strong” password to access the LAN system, we found that not all parameters were properly set. Until our testing identified this vulnerability, regional office management was not aware that the system would accept passwords that did not contain all required elements.

IRM staff immediately updated the LAN system by properly setting the parameters so that the system would force a “strong” password in accordance with VBA criteria. We subsequently tested the LAN system and verified that IT forced a strong password. According to officials at VA’s Office of Cyber and Information Security, the Information Security Officer (ISO) should frequently test network systems to ensure that users are forced to use “strong” passwords.

Recommended Improvement Action 2. The Area Director should require that the Regional Office Director ensures that the ISO routinely tests automated information systems to verify that “strong” passwords are required to gain access.

The Area and Regional Office Directors agreed with the findings and recommendations and provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Physical Security of Sensitive Claims Folders – Management Controls Needed Improvement

Condition Needing Improvement. Management controls over C&P C-files designated as sensitive records needed improvement to ensure that they are appropriately secured and controlled at all times. VA Regional Office Providence, Rhode Island employee C-files should be in locked files at VA Regional Office Hartford, and VA Regional Office Hartford employee C-files should be in locked files at VA Regional Office White River Junction, Vermont. The designated regional office of jurisdiction should maintain employee-relative and Veteran Service Officer (VSO) C-files, but they can be held in the general file population rather than in locked files.

To ensure that sensitive C-files are securely maintained at the proper location, VBA policy requires that a semi-annual audit of physically locked C-files is completed. The audit should include a VSC inventory of physically locked files and reconciliations of this inventory with the ISO's Master Sensitive File List of electronically locked files and with the designated regional office of jurisdiction's inventory listing.

Inaccuracies in the VSC's inventory listing of locked files went undetected because the ISO's Master Sensitive Master File List was not accurate, required semi-annual audits had not been performed in accordance with VBA policy, and local policy for safeguarding and controlling locked files was not followed. The following conditions needed management attention:

- Twenty-two physically locked files were not on the ISO's Sensitive Master File List.
- The VSC could not provide documentation that a semi-annual audit had been performed in FY 2003, and the FY 2004 semi-annual audit was not performed jointly by the ISO and the VSC, as required.
- The VSC inventory listing of locked files was not reconciled with the ISO's Sensitive Master File List or with VA Regional Office Providence's and White River Junction's inventory listings.
- Two VA Regional Office Providence VSO C-files that should have been in VA Regional Office Hartford's general file population were located at other stations.
- One VA Regional Office Providence employee C-file was located in VA Regional Office Hartford's general file banks, instead of its locked files.
- Three VA Regional Office Hartford employee-veteran C-files were not physically locked at VA Regional Office White River Junction but were in its general file population.

We also found that access to the locked files area was not monitored by the VSC Manager, locked files were accessed by unauthorized personnel, and keys to the locked

files area were not secured. Based on our findings, the Regional Office Director began immediate corrective action while we were on site.

Recommended Improvement Action 3. The Area Director should require that the Regional Office Director ensures that:

- a. The Sensitive Master File List is accurate.
- b. The semi-annual audit of locked files is performed as required by VBA policy.
- c. Access and keys to the locked files area are monitored and controlled.

The Area and Regional Office Directors agreed with the findings and recommendations and provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Benefits Delivery Network Security – Oversight of Operations Needed Improvement

Condition Needing Improvement. IRM management did not oversee BDN operations in accordance with VBA requirements. BDN security controls are intended to protect the privacy of personal data and prevent fraudulent use of the system. Our review of BDN security identified the following areas that needed management attention:

- Five VR&E employees were found to have both CEST (claims establishment) and CAUT (claims authorization) commands.
- The BDN and LAN Administrators had BDN operational commands.
- A VBA and a VA medical center employee had claims that were not electronically locked, and two other VBA employees' records were not locked at the appropriate level.
- One VBA employee had BDN access on two different Employee Identification Numbers (EINs).

As a result of our review, the Regional Office Director initiated immediate action to correct the deficiencies identified.

Recommended Improvement Action 4. The Area Director should require that the Regional Office Director ensures that:

- a. Employees do not have both the CEST and CAUT commands.
- b. BDN operational commands are appropriately assigned.
- c. All employees' C-files are electronically locked at the appropriate level.

- d. All employees are assigned only one EIN in BDN.

The Area and Regional Office Directors agreed with the findings and recommendations and provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Area Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: October 27, 2004
From: Director, Eastern Area Office
Subject: **VA Regional Office Hartford, Connecticut**
To: Director, Atlanta Audit Operation Division (52)

I concur with the Office of Inspector General (OIG) recommendations as well as the corrective actions from the Hartford Regional Office (RO) Director. I would like to express my appreciation for the thorough assessment provided by the OIG audit team. The team's review identified several key areas requiring additional management attention: 1.) Prompt reduction of payment for hospitalized veterans, 2.) Routine tests of automated information systems, 3.) Physically securing sensitive claims folders, and 4.) Improve oversight of Benefits Delivery Network (BDN) security.

As a result of the team's site visit in August 2004, many corrective actions to improve station operations have already been implemented. For example, documented procedures were developed and refresher training was provided to improve hospital adjustment reviews. A process of monthly reviews to routinely test automated information systems has been accomplished. Furthermore, the station's locked file reconciliation and improved BDN security oversight measures targeted completion dates are December 2004.

Clearly, implementation of the recommended action items provided in this report will strengthen the benefit services provided to Connecticut's veterans.

Please feel free to contact me at (734) 930-5800 if you have any questions or concerns.

(original signed by:)

James A. Whitson

Director, Eastern Area Office

Regional Office Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: October 22, 2004
From: Director, VA Regional Office Hartford, Connecticut
Subject: **VA Regional Office Hartford, Connecticut**
To: Director, Atlanta Audit Operations Division Office of
Inspector General (52)

Enclosed is the Hartford Regional Office response to the Combined Assessment Program (CAP) Review Draft Report. The Hartford Regional Office concurs with the recommendations for our station. Attached is additional information concerning specific corrective actions resulting from the review.

We appreciate the analysis provided by the audit team. Their findings, along with our corrective actions, will improve the delivery of benefits and services at this office.

Please contact me with any questions or concerns regarding our reply at (860) 666-7300.

(original signed by)

RICARDO F. RANDLE

Director

Regional Office Director's Comments to Office of Inspector General's Report

The following Director's comments are submitted in response to the recommendation in the Office of Inspector General Report:

OIG Recommendations

Recommended Improvement Action 1. The Area Director should require that the Regional Office Director ensures that:

- a. Benefits are adjusted for the veterans identified by our review, and collection actions initiated where necessary.

Concur **Target Completion Date:** Completed

- a. All of the cases discovered on hospital adjustment reviews have been completed and accounts receivable have been established.

- b. The SAO for hospitalized veterans is revised to require a 100 percent review of the healthcare system listing of hospitalized veterans.

Concur **Target Completion Date:** Completed

- b. The SAO for hospitalized veterans requires a 100 percent review of the healthcare system listing of hospitalized veterans. A Standard Operating Procedure has been written on how to review the monthly contract nursing home patients listing. A report on the findings of the review is forwarded to the VSCM monthly for review to ensure that all adjustments have been made.

- c. Refresher training is provided to VSC staff on hospital adjustment procedures.

Concur **Target Completion Date:** Completed

c. Refresher training was conducted for the Senior VSR responsible for reviewing the listings on June 24, 2004. The Senior VSR responsible for the reviews conducted training on hospital adjustment procedures for all VSRs on October 22, 2004.

Recommended Improvement Action 2. The Area Director should require that the Regional Office Director ensures that the ISO routinely tests automated information systems to verify that “strong” passwords are required to gain access.

Concur **Target Completion Date:** Completed

Every 30 days, the ISO and IRM will test access to our LAN system for "weak passwords". The ISO will certify to the Director that this test was performed. Each quarter on a random schedule, the ISO will request that NSC St. Paul run its “password cracker” on our systems to verify compliance.

Recommended Improvement Action 3. The Area Director should require that the Regional Office Director ensures that:

a. The Sensitive Master File List is accurate.

Concur **Target Completion Date:** Dec. 1, 2004

The ISO downloads the Sensitive File Master List from CSUM monthly. The VSCM and ISO verify the locked files with the Master List. The ISO will coordinate lists with the ISO in Providence. Our ISO will send Hartford’s Master List of veteran employees and their relatives to the ISO in White River Junction. We will also coordinate lists with Providence to insure Hartford’s list is accurate.

b. The semi-annual audit of locked files is performed as required by VBA policy.

Concur **Target Completion Date:** Dec 31, 2004

The semi-annual audit of locked files will be conducted in June and December of each year as required by VBA policy. Written documentation will be provided to the Director and maintained with the locked files.

- c. Access and keys to the locked files area are monitored and controlled.

Concur **Target Completion Date:** Completed

The VSCM, Public Contact Coach and ISO each have a key to the locked file room. The keys are either locked in their desk drawer or worn on a chain with their employee ID, during work hours. Their offices are locked at night. The ISO will periodically check the logs and insure security of the area.

Recommended Improvement Action 4. The Area Director should require that the Regional Office Director ensures that:

- a. Employees do not have both the CEST and CAUT commands.

Concur **Target Completion Date:** Completed

VR&E personnel had not had their new 8824s input into the system prior to the CAP review. Corrective action was accomplished at the time of the survey.

- b. BDN operational commands are appropriately assigned.

Concur **Target Completion Date:** Completed

The ISO reviewed every employee command with the supervisor and/or Division Chief to ensure that the commands were appropriate and still needed. As a result of this review, new 8824s and 8824e's were prepared and input into the systems. The ISO contacted Central Office at the time of the CAP review and had operational commands removed from both the BDN and the LAN administrators.

c. All employees' C-files are electronically locked at the appropriate level.

Concur **Target Completion Date:** Dec. 1, 2004

The ISO will at least semi-annually verify that all c-files are locked by reviewing every employee's 8824 to ensure the 96A printout is attached. The ISO will also verify this in CSUM. The ISO will also compare the sensitivity level in CSUM with that on the approved 8824s.

d. All employees are assigned only one EIN in BDN.

Concur **Target Completion Date:** Dec. 1, 2004

The ISO will verify that all employees only have one EIN number as part of his Systematic Analysis of Operations (SAO).

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Payments should have been reduced for veterans hospitalized at Government expense for more than 90 days.	\$424,613

OIG Contact and Staff Acknowledgments

OIG Contact	James R. Hudson, Director, Atlanta Audit Operations Division (404) 929-5921
Acknowledgments	Yolonda Johnson, Audit Manager (CAP Coordinator) Marcia Drawdy, Team Leader George Boyer Earl Key Leon Roberts Al Tate

Report Distribution

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This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.